

LEGAL UPDATE

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**WHO MAY OWN
RESIDENTIAL HOUSES?**



**INVESTMENT THRESHOLDS
& OWNERSHIP LIMITS**

**UNDERSTANDING
ETHIOPIA'S FOREIGN RESIDENTIAL
PROPERTY OWNERSHIP REGIME**



**RIGHTS GRANTED TO
FOREIGN HOMEOWNERS**



IMPORTANT RESTRICTIONS

A guide for foreign nationals, investors, and developers

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UNDERSTANDING ETHIOPIA'S FOREIGN RESIDENTIAL PROPERTY OWNERSHIP REGIME: WHAT FOREIGN NATIONALS, INVESTORS, AND DEVELOPERS SHOULD KNOW

I. Introduction

Ethiopia's property law has traditionally restricted foreign nationals from owning immovable property, limiting them primarily to leasehold arrangements and other investment structures. The **Foreign Nationals' Ownership Right of Residential House Proclamation No. 1388/2025** establishes the legal framework governing the circumstances under which foreign nationals may acquire ownership rights over residential houses in Ethiopia. While maintaining Ethiopia's constitutional land tenure system, the Proclamation introduces a regulated mechanism that permits foreign residential ownership subject to prescribed eligibility requirements, investment thresholds, and regulatory oversight.

The legislation forms part of Ethiopia's broader investment and economic reform framework by providing greater legal certainty for foreign nationals seeking long-term residence or investment opportunities in the country. At the same time, it seeks to balance investment promotion with safeguards designed to protect national interests, preserve public housing objectives, and ensure orderly development of the residential real estate market.

Understanding this legal framework is important not only for foreign nationals considering residential property ownership, but also for real estate developers, financial institutions, legal practitioners, investors, and other stakeholders engaged in Ethiopia's growing property sector. This legal update provides an overview of the principal features of the Proclamation, including eligibility requirements, ownership rights, applicable restrictions, regulatory procedures, and the practical considerations stakeholders should understand before acquiring or developing residential property under the regime.

II. The Legal Framework for Foreign Residential Ownership

The Proclamation establishes, for the first time, a dedicated legal regime governing foreign ownership of residential houses in Ethiopia. Rather than creating unrestricted ownership rights, it adopts a carefully regulated approach that permits eligible foreign nationals to acquire residential property while preserving Ethiopia's existing land tenure system and maintaining regulatory control over the sector.

Importantly, the law concerns ownership of residential houses and does not alter the constitutional principle that land remains publicly owned. Residential ownership therefore operates within Ethiopia's leasehold framework and is subject to administrative supervision and compliance with the requirements established under the Proclamation.

This approach reflects the Government's objective of encouraging responsible foreign investment while ensuring that residential ownership contributes to broader economic development without undermining national land policy or public interests.

III. Who May Own Residential Houses?

The Proclamation permits eligible foreign individuals and foreign legal entities to acquire ownership of residential houses, subject to compliance with prescribed legal and administrative requirements. However, foreign nationals of Ethiopian origin continue to be governed by the separate legal framework applicable to the Ethiopian diaspora and are therefore outside the scope of this legislation.

Before acquiring residential property, applicants must satisfy eligibility requirements relating to identity, financial capacity, legal status, and regulatory approval. The Government is also empowered to consider issues relating to public security, criminal background, and the lawful source of investment funds before granting authorization. These safeguards are intended to ensure that the new ownership regime promotes responsible investment while protecting the country's broader public interests.

IV. Investment Thresholds and Ownership Limits

A defining feature of the new legal framework is the establishment of a minimum investment threshold for foreign purchasers. The Proclamation requires foreign nationals to invest a prescribed minimum amount in the acquisition or construction of each residential house, thereby ensuring that foreign ownership contributes meaningful capital to Ethiopia's economy rather than encouraging speculative purchases.

As a general rule, foreign nationals are permitted to own one residential house at a time. Nevertheless, the legislation grants the Government flexibility to revise both the applicable investment threshold and the number of residential houses that may be owned in response to changing market conditions, development priorities, and national economic interests.

The Proclamation also introduces special treatment for licensed foreign investors. Individuals who already hold qualifying investment licences may acquire a residential house under more favourable conditions, reflecting the Government's objective of encouraging long-term investment and facilitating the establishment of permanent residence for investors actively contributing to Ethiopia's economic development.

V. Rights Granted to Foreign Homeowners

One of the Proclamation's most notable features is that it grants foreign homeowners property rights broadly comparable to those enjoyed by Ethiopian citizens in relation to residential houses. Beyond ownership itself, the legislation also introduces several important immigration and financial benefits intended to make Ethiopia a more attractive destination for international investors and professionals.

Eligible homeowners may obtain residence permits for themselves and their immediate family members and may also qualify for multiple-entry visas, facilitating long-term residence and ease of travel. The Proclamation further permits foreign homeowners to transfer legally obtained rental income and proceeds from the sale of residential property abroad in foreign currency, subject to applicable financial regulations. These rights significantly improve legal certainty for foreign investors seeking to establish long-term residential ties with Ethiopia.

VI. Important Restrictions Continue to Apply

Although the Proclamation liberalizes residential ownership, it does not create an unrestricted property market for foreign nationals. Residential houses acquired under the new framework are intended solely for residential purposes and generally may not be converted into commercial premises, although leasing them for residential occupancy remains permissible.

The legislation also preserves important public policy protections by prohibiting foreign ownership of government-subsidized condominium housing. This ensures that publicly supported housing programmes continue to serve their intended social objectives. Similarly, the Government retains authority to designate strategic or border areas in which foreign ownership may be restricted for reasons relating to national security or public interest.

Another significant safeguard is the prohibition on financing residential acquisitions through Ethiopian domestic financial institutions. Foreign purchasers are therefore expected to finance acquisitions using foreign capital rather than domestic credit, ensuring that local financial resources remain available to Ethiopian borrowers.

VII. Application and Regulatory Oversight

Foreign nationals seeking to acquire residential property must obtain prior authorization from the Ministry responsible for urban development before ownership can be completed. Applications may be submitted through both physical and electronic systems, reflecting Ethiopia's increasing emphasis on digital public services.

The Proclamation establishes defined administrative timelines for reviewing applications and allows applicants to remedy incomplete submissions before a final decision is rendered. This structured approval process is intended to improve transparency, predictability, and administrative efficiency while ensuring that regulatory authorities retain appropriate oversight over foreign residential ownership.

VIII. Reciprocity and Future Regulatory Flexibility

The legislation also incorporates the principle of reciprocity, enabling Ethiopia to extend corresponding rights to nationals of countries that provide similar residential ownership rights to Ethiopian citizens abroad. This provision strengthens Ethiopia's ability to align its property regime with international diplomatic and investment relations while preserving flexibility in responding to changing bilateral arrangements.

In addition, the Proclamation authorizes the Government to issue further regulations and directives governing implementation. Matters such as investment thresholds, ownership limits, eligibility conditions, and restricted geographical areas may therefore continue to evolve as Ethiopia's real estate market develops.

IX. Practical Implications for Investors and the Real Estate Sector

The enactment of the Proclamation is expected to have far-reaching implications for Ethiopia's property market. Foreign nationals now have a clear legal pathway to establish permanent residential ties with Ethiopia, while licensed foreign investors benefit from improved certainty regarding long-term residence.

The legislation also creates new commercial opportunities for real estate developers, construction companies, financial advisers, and legal practitioners as demand for residential projects targeting foreign buyers is likely to increase. At the same time, the regulatory safeguards incorporated into the Proclamation seek to ensure that increased foreign participation complements rather than displaces domestic housing priorities.

For Ethiopia, the reform signals a broader policy shift toward creating a more competitive investment environment while maintaining appropriate regulatory control over strategic national assets.

X. Conclusion

The **Foreign Nationals' Ownership Right of Residential House Proclamation No. 1388/2025** represents one of the most significant developments in Ethiopia's property and investment law in recent decades. By permitting foreign nationals to own residential houses within a carefully regulated framework, Ethiopia has opened a new chapter in its real estate and investment landscape.

While the Proclamation introduces meaningful opportunities for foreign investors, international professionals, and the real estate industry, it also reflects a deliberate policy balance between encouraging foreign capital and safeguarding national interests. As implementing regulations and administrative directives are issued, stakeholders should closely monitor further developments to ensure compliance with the evolving legal framework and to fully understand the opportunities created by this landmark reform.

Disclaimer: This legal update is intended for general informational purposes only and does not constitute legal advice. The application and interpretation of the Foreign Nationals' Ownership Right of Residential House Proclamation No. 1388/2025 may depend on specific facts, subsequent regulations, and administrative guidance. Stakeholders are advised to seek professional legal advice before taking any action based on this information.